

Message Text

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E.O. 11652: N/A

TAGS: UNCTAD

SUBJECT: UNCTAD: EEC COMMENTS - RUBBER PRICE STABILIZATION
AGREEMENT

REF: ZINOMAN/STREEB TELCON

FOR EB/ORF/ICD/ISM

THERE FOLLOWS "COMMENTS OF THE EEC ON "PROPOSED ELEMENTS
FOR ECONOMIC PROVISIONS OF A NATURAL RUBBER PRICE
STABILIZATION AGREEMENT":

THE COMMUNITY CONSIDERS IT IMPORTANT TO PRESENT THE FOL-
LOWING COMMENTS ON SOME OF THE ELEMENTS OF AN INTERNATIONAL
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AGREEMENT ON STABILIZATION OF NATURAL RUBBER PRICES PRO-
POSED BY A NUMBER OF MAJOR IMPORTING COUNTRIES SO AS TO
GIVE THE PRODUCING COUNTRIES A CLEARER IDEA OF THE COM-
MUNITY'S VIEWS ON THEM. IT IS UNDERSTOOD THAT THESE
ELEMENTS AS WELL AS THE ACTUAL VIEWS EXPRESSED BELOW DO
NOT EXHAUST ALL THE POSSIBILITIES AND THAT OTHER ELEMENTS
RELATING TO THE FUNCTIONING OF THE AGREEMENT WILL HAVE TO

BE EXAMINED AT A LATER STAGE.

BUFFER STOCK OPERATIONS. THE BASIC FEATURE OF THE AGREEMENT SHOULD BE AN INTERNATIONAL BUFFER STOCKING SYSTEM OPERATING WITH A PRICE MECHANISM BASED ON THE FIXATION OF AN AVERAGE REFERENCE PRICE.

(1) BUFFER STOCK SIZE. TO MEET THE OBJECTIVE OF THE AGREEMENT, THE COMMUNITY BELIEVES THAT, FOR THE FORESEEABLE FUTURE MARKET SITUATION IN NORMAL CONDITIONS, A VOLUME OF THE ORDER OF 300,000 TO 400,000 TONS WOULD BE DESIRABLE.

(2) PRICE REVISION MECHANISM. THE COMMUNITY CONSIDERS THAT, IN ORDER TO ENSURE THE STABILIZATION OF PRICES AROUND THE LONG-TERM TREND, PROVISION SHOULD BE MADE FOR PRICE REVISION ARRANGEMENTS CONTAINING BOTH CONSULTATIVE AND PREDEFINED ELEMENTS. SUCH ARRANGEMENTS SHOULD PERMIT THE BUFFER STOCK TO FUNCTION AS EFFICIENTLY AS POSSIBLE, TAKING INTO ACCOUNT THE LONG-TERM TREND OF PRICES AND THE MEANS AT ITS DISPOSAL. WITH REGARD TO THE DETAILS OF THE PRICE REVISION MECHANISM MENTIONED IN THE PROPOSAL, THE COMMUNITY IS STILL EXAMINING THIS MATTER WITH A VIEW TO ASSURING ITSELF OF THE FULL VIABILITY OF SUCH A MECHANISM.

FINANCING. WITH REGARD TO FINANCING, THE COMMUNITY IS UNCLASSIFIED

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STILL EXAMINING WHETHER DIRECT GOVERNMENT CONTRIBUTIONS OR LEVIES SHOULD BE USED. A FINAL DECISION CAN ONLY BE TAKEN AT THE NEGOTIATIONS THEMSELVES, WHEN ALL THE ELEMENTS WHICH WILL MAKE UP THE AGREEMENT ARE KNOWN.

INDICATOR PRICE. AT THE PRESENT STAGE, THE COMMUNITY BELIEVES THAT THE INDICATOR PRICES SHOULD BE BASED ON THE PRICE MOST GENERALLY QUOTED ON THE INTERNATIONAL MARKETS, WHICH IS UNIVERSALLY RECOGNIZED TO BE RSS.1.

IT IS PREPARED, HOWEVER, TO CONSIDER OTHER SOLUTIONS REFLECTING THE MOVEMENT OF VOLUME GRADES IN THE INTERNATIONAL MARKETS. IT IS NONETHELESS OPPOSED TO THE FIXING OF ANY PRICE DIFFERENTIALS.

EMERGENCY MEASURES. IN THE VIEW OF THE COMMUNITY, THE TEXT OF THE AGREEMENT COULD STIPULATE THAT, IN EXCEPTIONAL CASES WHERE THE RESOURCES OF THE STOCK CANNOT ENSURE PRICE STABILIZATION, THE COUNCIL OF THE AGREEMENT COULD DECIDE BY AN APPROPRIATE DISTRIBUTED MAJORITY TO IMPLEMENT PRE-DEFINED EMERGENCY MEASURES, FOR THE GIVEN PERIOD NECESSARY.

SUCH MEASURES SHOULD BE APPLICABLE AT BOTH THE TOP AND
BOTTOM OF THE BAND. HOWEVER, IN NO CIRCUMSTANCES SHOULD
THEY INVOLVE REDUCTIONS IN EXISTING LONG-TERM PRODUCTION
CAPACITY, WHICH ARE EQUALLY HARMFUL TO BOTH PRODUCERS AND
CONSUMERS.

IF THE EMERGENCY MEASURES SHOULD INCLUDE NATIONAL SUPPLY
CONTROLS, THESE SHOULD BE FINANCED BY THE COUNTRIES WHICH
APPLY THEM. VANDEN HEUVEL UNQUOTE VANCE

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